



Investing in sustainability, energy efficiency and renewables: **A strategic approach**

Food and agribusiness companies across the United States are increasingly challenged to produce their products more efficiently and profitably. Sustainability is playing a larger and larger role throughout the industry as companies seek to shrink their carbon footprint and control energy expenses. From energy-efficient solar panels to water treatment facilities to improved irrigation, food and agribusiness companies are investing in ways to reduce their environmental impact, save money and give themselves a competitive advantage.

Companies today have access to an expanding menu of innovative clean energy alternatives, and choosing the best options will depend upon the unique circumstances of each business. Whatever the decision, every company will benefit by taking a strategic approach to evaluating sustainability projects and the capital solutions to fund them.

Taking a strategic approach to sustainability

Thinking about energy efficiency and renewables options for food and agribusiness companies can surface in a number of ways. It may be an end-of-life situation where equipment needs to be replaced and the company wants to do it in the most efficient way possible. A business may also begin to look at green energy projects as a result of incentives or promotions by the government or energy providers. Finally, an interest in sustainability can arise because a company is taking a comprehensive look at its operation with the goal of slashing expenses and enhancing cash flow.



“No matter how the interest comes about, achieving energy efficiency and enhancing sustainability represents a significant opportunity for food and agribusiness companies,” said Joe Paterniti of KeyBank’s Energy Efficiency and Renewables team. “Optimizing results requires a long-term perspective and a strategic Lean 6 Sigma approach, one that looks at the company in a comprehensive way to find ways to reduce waste and save money.”

“A common misperception is that the value in going green is just to take advantage of tax breaks and incentives,” said Jim McPhaul, senior vice president, KeyBank Food, Beverage & Agribusiness Market Leader. “But energy efficiency at food and agribusiness companies is a cash play, and there are substantial potential benefits to cash flow and profitability. In fact, a company can reduce its energy bill significantly by taking the long view. And after the financing is paid off, the energy-saving benefits continue for years.”

Once the sustainability plan is developed, it’s important for the company to work with a banking partner who has established relationships with specialists in every facet of energy efficiency, including lighting, HVAC, geothermal, solar, windows, water treatment, insulation and roofing. The bank can introduce the company to these specialists and ensure that the client is familiar with available tax benefits and incentives along with resources provided by utility companies.

Asking the right questions

Evaluating energy efficiency and sustainability options starts with a few basic questions:



1. Have you examined cost-reduction opportunities for your company, including green buildings, energy-efficient lighting, smart water use, and solar and wind energy options?
2. How much are you spending on building and energy-related equipment maintenance? What are your projections for future maintenance expenditures?
3. Do you have any annual repair expenses due to outdated equipment or facilities?
4. Do you anticipate any near-term end-of-life building equipment needs?
5. How are you managing annual utility cost increases?
6. Are you concerned about sustainability?
7. Do your customers value companies that are committed to sustainability over others when making purchasing decisions?
8. Have you evaluated the benefits of sustainability and energy efficiency investments?
9. Have you checked with your utility providers to see if they provide free energy audits and/or cash incentives for energy efficiency retrofits?
10. Are you familiar with federal, state and local tax benefits and other resources that are available for companies that invest in energy efficiency and sustainability?
11. Have you explored leveraging solar energy to reduce your utility expenses and improve your asset valuations?

Capital solutions for investments in energy efficiency and renewables

Once the company decides on the appropriate energy-efficiency options, the next step is determining how to finance the investment. There's no single financing option that's right for everyone: designing the optimal choice requires a solutions-based approach that's customized to the needs of the business. Importantly, a company should select a financing partner that understands the company's objectives and circumstances before it makes a recommendation.

"In developing a capital plan, it's essential that the bank understand the business, financial and capital position of the company—today and over the planning horizon," said Paterniti. "Planning works best when the bank serves in a consultative role rather than as a product provider who comes to the table with a one-size-fits-all answer."

Creating a solutions-based financing plan should start with the objective of having the investment be cash flow and earnings positive—not only over the long term but from day one. In addition, a capital solution ought to consider other potential investments in both current and future years. "If the investment in energy efficiency and sustainability generates positive cash flow and earnings, the company may be able to do other projects and create an even stronger competitive positioning," said McPhaul. "Looking at the bigger picture can have substantial benefits, and it helps if the company is working with a bank that can leverage its combined capital expertise and industry knowledge."

Ideally, the assessment of capital options should be comprehensive to ensure that the company has the best possible solution. "Food and agribusiness companies have a wide range of financing alternatives to consider, including equipment term loan, leasing, real estate financing, tax-exempt bonds, loan guarantee programs and equity," said Paterniti. "The goal is to sort out the most attractive solution, the one that fits best with capital and balance sheet requirements."

Learn more about KeyBank's experience and expertise in the Food and Agribusiness Industry, as well as Energy Efficiency and Renewable Financing to tap into the power of unrealized opportunities. Visit us at key.com/agribusiness.

KeyBank 
Use the red key.®

Investing in sustainability, energy efficiency
and renewables: A strategic approach

2 of 2